

**Management Advisory Report: Risks Should
Be Weighed When Using Electronic Services
as Incentives**

February 2001

Reference Number: 2001-40-049

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

February 27, 2001

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

A handwritten signature in black ink, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Management Advisory Report - Risks Should Be Weighed
When Using Electronic Services as Incentives

This report presents the results of our review of the Platinum-Gold-Silver-Bronze Practitioner Program. In summary, we found the Internal Revenue Service (IRS) has not implemented the Program described in the Electronic Tax Administration's strategic plan, *A Strategy for Growth*, nor has it developed a specific approach or timetable for implementing the Program beyond the broad descriptions presented in the strategic plan. Additionally, the IRS has not determined the range of electronic service incentives that will be provided to electronic return originators (ERO) at each Program level or evaluated the potential impact to taxpayers of providing EROs with different levels of electronic services.

We recommended that the IRS develop a detailed plan with critical milestones and timelines to ensure the success of the Platinum-Gold-Silver-Bronze Practitioner Program. We also recommended that the IRS weigh the risks of impact on taxpayers and EROs associated with providing EROs with different levels of e-services.

Management agreed to the recommendations we presented. Management's comments have been incorporated into the report where appropriate, and the full text of their comments is included as an appendix.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions,

or your staff may call Walter Arrison, Associate Inspector General for Audit (Wage and Investment Income Programs), at (770) 936-4590.

**Management Advisory Report: Risks Should Be Weighed
When Using Electronic Services as Incentives**

Table of Contents

Executive Summary.....	Page i
Objective and Scope.....	Page 1
Background	Page 1
Results	Page 4
The Platinum-Gold-Silver-Bronze Practitioner Program Has Not Been Implemented.....	Page 4
Risks Should Be Weighed When Using Electronic Services as Incentives.....	Page 8
Conclusion.....	Page 10
Appendix I – Detailed Objective, Scope, and Methodology	Page 11
Appendix II – Major Contributors to This Report.....	Page 12
Appendix III – Report Distribution List.....	Page 13
Appendix IV – Outcome Measures.....	Page 14
Appendix V – Management’s Response to the Draft Report	Page 15

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

Executive Summary

The United States Congress, in its Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (RRA 98), established a long-range goal that 80 percent of all Federal tax and information returns should be filed electronically by 2007.¹ As a result, the IRS' Electronic Tax Administration (ETA) developed a strategic plan, *A Strategy for Growth*, describing the various ETA initiatives being planned to help accomplish this goal.

These ETA initiatives included a program concept that will recognize, support, and motivate tax practitioners as ETA product and service distributors. The Program is called the Platinum-Gold-Silver-Bronze Practitioner Program. This Program is an innovative approach intended to encourage tax practitioners to further increase the current volume of electronically filed tax returns. Under this Program, electronic return originators (EROs)² will ascend from Bronze to Platinum levels as they electronically file more of the electronic tax returns they prepare. Graduation to each progressive level will entitle the ERO to various electronic service incentives currently being considered to help foster the continued growth of electronic filing.

The overall objective of this review was to determine whether the IRS is timely implementing its Platinum-Gold-Silver-Bronze Practitioner Program and whether providing different levels of customer service to EROs will impact taxpayers.

Results

The IRS has not implemented the Platinum-Gold-Silver-Bronze Practitioner Program or developed a specific approach or timetable for implementation beyond the broad descriptions presented in its 1999 ETA strategic plan. Additionally, the IRS has not determined the range of electronic service incentives that will be provided to EROs at each Program level or evaluated the potential impact to taxpayers of providing EROs with different levels of electronic services (e-services).

Without the aid of a detailed plan, the IRS has developed certain aspects of the Platinum-Gold-Silver-Bronze Practitioner Program concept, including recognition of outstanding EROs and the development of criteria that rank the performance of EROs.

¹ Pub. L. No. 105-206, 112 Stat. 685.

² An ERO is a tax practitioner authorized by the IRS to electronically file tax returns.

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

The Platinum-Gold-Silver-Bronze Practitioner Program Has Not Been Implemented

The IRS has not implemented its Platinum-Gold-Silver-Bronze Practitioner Program or developed any detailed implementation plans to provide structure and guidance for the development of the Program.

The Electronic Tax Administration Advisory Committee in its June 2000 report recommended that the IRS develop the operational plans corresponding to the electronic tax administration projects. Without a detailed implementation plan that include critical milestones and timelines, the IRS cannot easily determine the status of the Program.

Risks Should Be Weighed When Using Electronic Services as Incentives

Highlighted in the ETA strategic plan as the Platinum-Gold-Silver-Bronze Practitioner Program's primary incentive is a suite of e-services EROs will receive, depending on their Program level. The plan provides that the Platinum-level EROs will have access to all services. The Gold-level EROs will have a subset of the e-services received by the Platinum-level EROs, and each level below will receive progressively fewer e-services.

The IRS has not made specific decisions on the range of e-services that will be provided at each Program level or evaluated the potential impact to taxpayers of providing EROs with different levels of e-services. However, the ETA strategic plan, while general, could be interpreted as a decision on the part of the IRS to provide some EROs with an unfair advantage. This gap in e-services could affect taxpayers solely by their choice of ERO and actually restrict service to taxpayers through the restriction of access to e-services.

Summary of Recommendations

To ensure the success of the Platinum-Gold-Silver-Bronze Practitioner Program, the IRS should develop a detailed plan with critical milestones and timelines. The IRS should also weigh the risks of impact on taxpayers and EROs associated with providing EROs with different levels of e-services.

Management's Response: IRS agreed with our recommendations. Once decisions are finalized on the specific type and range of incentives, the IRS will develop a detailed plan with critical milestones and timelines. In addition, the IRS has established high level oversight, time limits, and system flexibility into the incentives program to minimize adverse impact on taxpayers while advancing towards electronic filing objectives.

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

Objective and Scope

We evaluated the progress the IRS has made toward implementing its Practitioner Program.

The overall objective of this review was to determine whether the Internal Revenue Service (IRS) is timely implementing its Platinum-Gold-Silver-Bronze Practitioner Program and whether providing different levels of customer service to electronic return originators (ERO) will impact taxpayers.

To accomplish our objective, we reviewed the progress the IRS has made toward implementing its Practitioner Program and what level of assurance the IRS has that the Program is on schedule. We also determined whether providing multiple levels of tax services is fair to all EROs and taxpayers.

Our review was performed between April and June 2000, in the National Headquarters. The supporting work was executed in compliance with the *President's Council on Integrity and Efficiency's Quality Standards for Inspection*.

Details of our objective, scope, and methodology are presented in Appendix I. Major contributors to this report are listed in Appendix II.

Background

The United States Congress, in its legislation of the IRS Restructuring and Reform Act of 1998 (RRA 98),¹ recognized the importance of electronic filing by directing that it be the preferred and most convenient means of filing tax returns. To emphasize this, the Congress established a goal that 80 percent of all Federal tax and information returns should be filed electronically by 2007. In addition, the Congress called on the IRS to cooperate with and encourage the private

¹ Pub. L. No. 105-206, 112 Stat. 685.

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

sector by encouraging competition to increase electronic return filing.

Encouraging the private sector to increase electronic filing will be a key factor for the IRS to achieve its Congressionally mandated goals. Tax practitioners who electronically transmit tax returns to the IRS are called electronic return originators, or EROs. Currently, there are over 77,000 active EROs approved to file electronic returns with the IRS. It is important for the success of the IRS to increase the number of EROs to reach its long-range goal of having 80 percent of all Federal tax returns filed electronically by 2007.

Sixty-six million individual income tax returns were filed by tax practitioners in 1999.

In 1999, over 122 million individual income tax returns were filed. Of these, 66 million (54 percent) were filed by tax practitioners. However, tax practitioners filed only 21 million (32 percent) of those returns electronically.

In RRA 98, the Congress authorized the use of incentives for promotion of ETA programs.

To support current and attract new EROs, the IRS plans to expand the marketing support and implement a program of product and service incentives that include rewards and special recognition, depending upon an ERO's success in marketing Electronic Tax Administration (ETA) products and services. To assist the IRS the Congress, in RRA 98, authorized the use of incentives for promotion of ETA programs.

For the past 2 years, the IRS has given special recognition to EROs at its Nationwide Tax Forums. The IRS Nationwide Tax Forum is the major IRS outreach program for all external stakeholders engaged in or supporting electronic tax administration. At the Tax Forums, the IRS provides instruction to participants in various IRS programs affecting their business, through a series of seminars. In conjunction with the Forums, the IRS holds an awards ceremony and dinner that features a guest speaker and awards presentation to honor various members of the tax professional community.

To further expand its recognition and motivation of EROs, the IRS intends to establish a Platinum-Gold-Silver-Bronze Practitioner Program. EROs will ascend

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

E-services allow EROs to electronically conduct what were previously paperbound interactions with the IRS.

from Bronze to Platinum Authorized IRS e-file Providers as they electronically file more of the eligible returns they prepare. Special recognition and rewards will be identified for each level. This includes a suite of electronic services (e-services) that will be enabled on an ERO Web Site. Platinum-level EROs will have access to all of these services, Gold a subset of the Platinum-level services, and Silver and Bronze progressively fewer.

E-services allow EROs to conduct electronically what were previously paperbound interactions with the IRS, thus streamlining the customer service EROs provide to their taxpayers. The strategic plan indicates the IRS will make e-services available depending on the ERO's e-filing level. The strategic plan further explains that these e-services will include:

- Electronic Power of Attorney - The document needed to give another person the legal right to act on your behalf.
- Electronic Offer-In-Compromise - The document used to propose a compromise on the amount of disputed tax owed.
- Electronic Installment Agreement - The document used to request paying back taxes in monthly installments.
- Electronic Account Inquiry - A process for handling taxpayer account issues through a secure on-line communication facility.
- Electronic Transcript Delivery - A process for providing authorized parties with on-line transmissions of tax return transcripts, account transcripts, and filing verifications.
- Priority e-mail Handling - Accelerated handling of ERO e-mail.

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

Results

While the IRS has taken steps to recognize EROs, it has not implemented the Platinum-Gold-Silver-Bronze Practitioner Program.

The IRS has not implemented the Platinum-Gold-Silver-Bronze Practitioner Program or developed a specific approach or timetable for implementation beyond the broad descriptions presented in the 1999 ETA strategic plan. Additionally, the IRS has not determined the range of electronic service incentives that will be provided to EROs or evaluated the potential impact to taxpayers of providing EROs with different levels of e-services.

As the IRS finalizes its approach for providing electronic service incentives to EROs, it should also evaluate the risks and ensure the distribution of these incentives to EROs does not unfairly affect taxpayers.

The Platinum-Gold-Silver-Bronze Practitioner Program Has Not Been Implemented

The IRS has not implemented the Platinum-Gold-Silver-Bronze Practitioner Program or developed any detailed implementation plans to provide structure and guidance for the development of the Program.

However, without the aid of a detailed plan, the IRS has:

- Recognized exemplary EROs.
- Developed criteria for ranking EROs.

No detailed plans or timelines have been developed for the Platinum-Gold-Silver-Bronze Practitioner Program

As stated in the IRS' ETA strategic plan, *A Strategy for Growth*, "the IRS intends to establish a Platinum-Gold-Silver-Bronze Practitioner Program." While many of the programs described in the strategic plan have timelines, the plan does not provide a time frame or

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

The strategy does not provide a time frame or indicate when the IRS intends to start or complete its Platinum-Gold-Silver-Bronze Practitioner Program.

indicate when the IRS intends to start or complete its Practitioner Program.

The Electronic Tax Administration Advisory Committee (ETAAC) in its June 2000 report stated, “An important element of the planning process is implementation planning. *A Strategy for Growth* contains comprehensive timelines for each identified project; however, there is no discussion of the operational steps, major segments and overall timing. Although operational plans need not be part of a strategic planning summary, having such information is an important step before implementation. The ETAAC recommends the IRS develop the operational plans corresponding to the electronic tax administration projects....”

Without a detailed implementation plan that includes critical milestones and timelines, the IRS cannot easily determine the status of this Program.

The IRS has recognized exemplary EROs

Rewards for and special recognition of EROs is one aspect of the Practitioner Program described in the IRS’ ETA strategic plan. For the past 2 years, the IRS has recognized EROs it considers exemplary at its Nationwide Tax Forums.

In 1998, the IRS began recognizing EROs who performed in a manner the IRS considered to be an example for other EROs to follow. These EROs submitted the majority of the returns they filed electronically and, of these returns, the vast majority had very few errors. Many EROs met these criteria; however, the EROs receiving the awards achieved the performance criteria to the highest degree.

The IRS plans to recognize 50 exemplary EROs in 2000.

Exemplary EROs are recognized at the IRS’ Nationwide Tax Forums, where it presents the Program awards at an awards and recognition ceremony. The award consists of a certificate suitable for framing. Additionally, the IRS provides meals, lodging, transportation, and a welcoming gift at the hotel when the EROs arrive at the Tax Forum.

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

The IRS expanded the number of EROs it recognized to 50 in 1999 and plans to recognize 50 EROs again in 2000. The award now honors one ERO from each state.

In past years, ERO recognition data were compiled manually. For 2000, the IRS plans to use the data generated from a new management information system that is currently being developed to rank EROs.

The initial ranking criteria and weighting factors for EROs appear to be fair

In order for the IRS to develop a program that recognizes EROs based on their level of performance, it must first develop a method that will fairly measure and rank ERO performance. To make the process fair, the method must allow all EROs to be equal and not put any group at a competitive disadvantage.

We identified the criteria being planned for the Practitioner Program and found the ranking system appears to be fair. The method developed to measure and rank ERO performance uses two primary factors and one secondary factor. The primary factors are a quality score and a penetration score. The secondary factor, a bonus score, is based on volume.

The quality score is based on the percentage of electronically filed returns accepted by the IRS the first time they are sent by the ERO (acceptance rate). Tax returns accepted on the first transmission are free of common errors that could slow a taxpayer's refund, such as an incorrect social security number.

The penetration score is based on the number of returns an ERO files electronically compared to the total number of returns that can be filed electronically (penetration rate). EROs are in a position to influence a taxpayer's decision to file an electronic return.

Rewarding and recognizing EROs who convince their taxpayers to file electronically advances the IRS' Congressionally mandated goal of 80 percent of tax returns being filed electronically by 2007.

The IRS uses quality and penetration scores to rank EROs.

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

The bonus score is based on volume of returns filed and provides leveling for high volume EROs who generally cannot maintain the level of quality that lower volume EROs maintain. The bonus score for volume applies to EROs who file over 2,000 returns and reaches a maximum of 400 points when an ERO files 10,000 returns.

To determine how one ERO compares with other EROs, a formula is used to create an overall score based on the quality, penetration, and bonus scores. The formula weighs the quality and penetration scores evenly with, 10,000 points being the highest possible score on each. The maximum score any ERO can obtain is 20,400 points. The following example illustrates how three EROs would be ranked using the scoring system.

ERO Data			
ERO	AAA	BBB	CCC
Accepted e-file Returns	1,234	5,678	631
e-file Acceptance Rate	89.20%	91.60%	95.20%
Penetration Rate	65.70%	55.30%	92.00%

Computation			
ERO	AAA	BBB	CCC
Quality Starter Value ²	10,000	10,000	10,000
e-file Acceptance Rate Squared	0.7957	0.8391	0.9063
Quality Score	7,957	8,391	9,063
Penetration Starter Value	10,000	10,000	10,000
Penetration Rate Squared	0.4316	0.3058	0.8464
Penetration Score	4,316	3,058	8,464
Volume Bonus	0	184	0
Total Score	12,273	11,633	17,527

² Starter values are used for the quality and penetration scores to create a whole number result and maximum possible score.

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

Large EROs can influence their taxpayers to convert to electronic filing and become more competitive without having an unfair advantage over the smaller EROs.

This example represents a small, medium, and large volume ERO. ERO “CCC” is the lowest volume filer and has the highest ranking based on the sum of the quality score and penetration score. ERO “BBB” is the highest volume filer and received a volume bonus score, but had the lowest total score. Both EROs “AAA” and “BBB” filed less than 66 percent of their taxpayer’s returns electronically (Penetration Rate). However, by influencing their taxpayers to convert to electronic filing, they can become more competitive without having an unfair advantage over the smaller ERO.

Recommendation

1. The IRS should ensure a detailed plan with critical milestones and timelines is developed for use during the implementation of the Platinum-Gold-Silver-Bronze Practitioner Program.

Management’s Response: The IRS responded that, “The Electronic Tax Administration Policy Council (ETAPC) has agreed in principle with the policy of offering a suite of e-services as incentives and has also agreed on a framework for developing a plan. Once decisions are finalized on the specific type and range of e-services incentives, we will develop a detailed plan with critical milestones and timelines.”

Risks Should Be Weighed When Using Electronic Services as Incentives

Highlighted in the strategic plan as the Platinum-Gold-Silver-Bronze Practitioner Program’s primary incentive is a suite of e-services EROs will receive, depending on their Program level. The plan provides that the e-services will be enabled on an ERO Web Site and the Platinum-level EROs will have access to all services. The Gold-level EROs will have a subset of the e-services received by the Platinum-level EROs, and each level below will receive progressively fewer e-services.

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

E-services benefit taxpayers, their representatives, and the IRS.

E-services benefit taxpayers, their representatives, and the IRS. They provide the means to conduct electronically what were previously paperbound interactions with the IRS. They provide taxpayers with faster and more accurate service and EROs with enhanced tools to better service their clients. Through e-services, the IRS will be able to increase productivity and customer satisfaction and provide additional means to assist in reaching its Congressionally mandated goals.

As stated in its strategic plan, “Electronic services which will be made available, depending on *e-file* level earned, will include among others, electronic Power of Attorney, electronic Offers-in-Compromise, electronic Installment Agreements, electronic Account Inquiry, electronic Transcript Delivery, priority e-mail handling, etc.”

Focus groups with EROs have identified e-services as desirable incentives.

Focus groups with EROs have identified e-services such as these as desirable incentives for EROs. While e-services are a good incentive to attract tax professionals into becoming EROs, there is a risk that providing EROs with different levels of e-services could unfairly affect taxpayers. If the IRS proceeds and distributes e-services on a tiered basis as described in the strategic plan, EROs at the Gold, Silver, and Bronze levels will not be able to provide their customers with the same level of service as those at the Platinum level.

The IRS has not made specific decisions on the range of e-services that will be provided at each Program level or evaluated the potential impact of providing EROs with different levels of e-services. However, the ETA strategic plan, while general, could be interpreted as a decision on the part of the IRS to provide some EROs with an unfair advantage. This gap in e-services could affect taxpayers solely by their choice of ERO and actually restrict service to taxpayers through the restriction of access to e-services.

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

Recommendation

2. The IRS should weigh the risks of impact on taxpayers and EROs as it finalizes decisions regarding the e-services provided to each level of the Platinum-Gold-Silver-Bronze Practitioner Program.

Management's Response: The IRS responded that, "The ETAPC will review each e-service incentive deployment to ensure that the marketing benefits of the rewards and incentives program are maximized, while minimizing negative impact to taxpayers. The Council also decided that there will be a limited period, not to exceed 3 years, during which time an e-service could be used as a reward or incentive. After that period, the e-service would become available to all eligible practitioners. In addition, the e-service infrastructure is flexible enough to allow business operating divisions the ability to use the e-services functionalities that best meet their needs, both within and outside a rewards and incentives program. This high level oversight and system flexibility makes it possible for the Service to fine tune its approach to minimize adverse impacts to taxpayers, while advancing towards its electronic filing objectives."

Conclusion

The IRS has developed a fundamental footprint for the Platinum-Gold-Silver-Bronze Practitioner Program. While this is an innovative concept, the Program has not been implemented, and detailed plans with measurable critical milestones and timelines have not been developed. When the IRS implements the Program, it also needs to ensure taxpayers are not adversely affected solely by their choice of EROs.

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the Internal Revenue Service (IRS) is timely implementing its multi-level practitioner program and whether providing different levels of customer service to electronic return originators (ERO) will impact taxpayers. To accomplish this objective, we:

- I. Reviewed the progress of the multi-level practitioner program's implementation and determined what level of assurance the IRS has that the Program is on schedule.
 - A. Interviewed IRS program management to determine the current status of the Program and the timeline for accomplishing significant milestones.
 - B. Assessed practitioner/taxpayer impact studies, IRS timelines, and Program status reports to substantiate whether significant milestones are realistic and designed to be effectively monitored for timely implementation.

- II. Determined whether providing multiple levels of tax services to practitioners is fair to all practitioners and taxpayers and whether the IRS' providing of rewards and other special recognition to practitioners is appropriate.
 - A. Evaluated the Program level criteria and services established for each practitioner who also serves as an ERO to determine whether all EROs have an equal opportunity to achieve the highest Program level and whether these levels create a significant gap in providing service to taxpayers.
 - B. Evaluated the rewards and special recognition being offered at each Program level to determine the appropriateness of the rewards that will be offered.

**Management Advisory Report: Risks Should Be Weighed
When Using Electronic Services as Incentives**

Appendix II

Major Contributors to This Report

Walter E. Arrison, Associate Inspector General for Audit (Wage and Investment Income Programs)

M. Susan Boehmer, Director

Gary L. Young, Audit Manager

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**Management Advisory Report: Risks Should Be Weighed
When Using Electronic Services as Incentives**

Appendix III

Report Distribution List

Commissioner N:C
Deputy Commissioner N:DC
Director, Electronic Tax Administration W:E
Director, Legislative Affairs CL:LA
National Taxpayer Advocate TA
Office of Management Controls N:CFO:F:M
Office of the Chief Counsel CC
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Audit Liaison:
 Director, Electronic Tax Administration W:E

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to the Congress.

Type and Value of Outcome Measure:

Taxpayer Burden – Potential; 21 million returns.

The Internal Revenue Service (IRS) has not determined the range of electronic service incentives that will be provided to electronic return originators (EROs). Currently, there are 77,000 active EROs approved to file electronic returns with the IRS. In 1999, EROs filed 21 million individual income tax returns electronically. Providing different levels of electronic services (e-services) to EROs could affect the level of customer service EROs are able to provide to these taxpayers (see page 8).

Methodology Used to Measure the Reported Benefit:

We identified the total number of individual tax returns submitted by EROs that could be affected if different levels of e-services are provided to EROs.

**Management Advisory Report: Risks Should Be Weighed
When Using Electronic Services as Incentives**

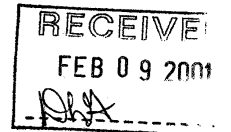
Appendix V

Management's Response to the Draft Report



**DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308**

February 8, 2001



MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

John M. Dalrymple
Commissioner, Wage and Investment Division

SUBJECT:

Draft Management Advisory Report – Risks Should Be Weighed
When Using Electronic Services as Incentives

Thank you for the opportunity to respond to your draft report titled, "Risks Should Be Weighed When Using Electronic Services as Incentives." The report accurately reflects some of the difficult issues we face in attempting to meet the expectations of the Restructuring and Reform Act of 1998 (RRA '98). As noted in the report, 54 percent of 1999 returns were filed by tax practitioners, but only 32 percent of those returns were filed electronically. Rewards and incentives are one approach we are exploring for closing that gap and increasing electronic filing. Results of focus groups and surveys show industry groups prefer electronic services (e-services) rewards and incentives. Rewards and incentives benefit providers who exhibit IRS approved behaviors over providers that do not. The question is whether that causes some disadvantage to taxpayers, and if so, is there some tolerable level the IRS can accept to spur practitioners to adopt electronic filing. We are discussing these issues at the highest levels of the IRS.

IDENTITY OF RECOMMENDATION/FINDING #1:

The IRS should ensure a detailed plan with critical milestones and timelines is developed for use during the implementation of the Platinum-Gold-Silver-Bronze (PGSB) Program.

ASSESSMENT OF CAUSE(S):

The "Strategy for Growth" advanced the concept of using rewards and incentives in response to the guidance provided in RRA '98. The idea of a PGSB Program was a concept for implementing this approach. However, the IRS has not yet developed e-services rewards and incentives.

CORRECTIVE ACTIONS:

We agree. The Electronic Tax Administration Policy Council (ETAPC) has agreed in principle with the policy of offering a suite of e-services as incentives and has also agreed on a framework for developing a plan. Once decisions are finalized on the specific type and range of e-services incentives, we will develop a detailed plan, with critical milestones and timelines.

Management Advisory Report: Risks Should Be Weighed When Using Electronic Services as Incentives

2

IMPLEMENTATION DATE:

July 1, 2001

RESPONSIBLE OFFICIAL(S):

Commissioner, Wage and Investment Division
Director, Individual Electronic Filing Division

IDENTITY OF RECOMMENDATION/FINDING #2:

The IRS should weigh the risks of impact on taxpayers and EROs as it finalizes decisions regarding the e-services incentives provided to each level of the PGSB Program.

ASSESSMENT OF CAUSE(S):

The advantaging of some practitioners resulting from rewards and incentives will leave their competitors in a status quo situation. Customer taxpayers of these status quo practitioners will not receive the benefits that would accrue from access to these e-services.

CORRECTIVE ACTIONS:

We agree. The ETAPC will review each e-service incentive deployment to ensure that the marketing benefits of the rewards and incentives program are maximized, while minimizing negative impact to taxpayers. The Council also decided that there will be a limited period, not to exceed 3 years, during which time an e-service could be used as a reward or incentive. After that period, the e-service would become available to all eligible practitioners. In addition, the e-service infrastructure is flexible enough to allow business operating divisions the ability to use the e-services functionalities that best meet their needs, both within and outside a rewards and incentives program. This high level oversight and system flexibility makes it possible for the Service to fine tune its approach to minimize adverse impacts to taxpayers, while advancing toward its electronic filing objectives.

IMPLEMENTATION DATE:

July 1, 2002

RESPONSIBLE OFFICIAL(S):

Commissioner, Wage and Investment Division
Director, Individual Electronic Filing Division

If you have any questions, members of your staff may contact JoAnn N. Blank, Director Individual Electronic Filing Division, at (202) 283-4790.